

STATE OF THE STATE  
JANUARY 15, 2007

Madam Lt. Governor, Mr. Speaker, ladies and gentlemen of the Legislature, distinguished guests and fellow Mississippians: For the fourth time I'm honored to report to you on the State of our State.

I treat tonight as very special, for tonight is the eighth, and at least for now, the last time Lt. Governor Amy Tuck will be on this podium for a governor's State of the State address. And Governor Tuck, I consider it my privilege to recognize and salute you for your dedicated and effective service to the people of Mississippi.

As you know, the Lt. Governor lost her dear mother a few weeks ago. Amy, you have been in Marsha and my thoughts and prayers . . . and so have the families of your colleagues, Senator Bunky Huggins, Senator Billy Harvey and Rep. Mae Whittington . . . and even this weekend we lost one of the true gentlemen of this Legislature, Representative Leonard Morris. Please lift up Melinda and their daughters in your prayers. Now I ask you to join me in a moment of silent prayer in memory of these fine public servants.

Despite our losses and difficulties we have so much to be thankful for.

For me that starts with the First Lady who has been my first lady for thirty-five years. Whether in the weeks and months after Katrina, when she went to the Coast seventy of the first ninety days to help our people most in need, to when she sets an example with, "Haley, let's go walking", to tonight, when she told me my speech is too long; Marsha has been the centering influence for me and my family. I appreciate her and am very grateful for her.

What is the State of our State? In 2004, in my first such speech, I predicted the State of our State would improve, saying "it's not as good as it's going to be a year from now." I was right, . . . but at the time several people told me they thought I was overly optimistic.

After all, consider what had happened in the preceding years: For three years straight, Mississippi had been rated the worst state in the country for lawsuit abuse. Over the previous four years the State had a net loss of 38,000 jobs. The State's finances were in the worst mess at least since the Depression, with a \$720 million budget shortfall. And along with that financial hole, state spending for our universities was 7% lower than four years earlier; state spending for our community colleges had been reduced even more - 16%. And spending for drug enforcement, at the time of a drug crime wave, had been cut 41%.

Yet, I'm an optimist, and I believed we could do better. And we did. Many of you in the Legislature, Republicans and Democrats alike, worked hard, and we worked together to successfully tackle those problems and many more.

In 2005 I was able to tell you the State of our State "is better than it was a year ago but not as good as it will be a year from now."

As I look back on that year, 2005, I wonder what I would have said if I had known what was coming . . . if I had known Mississippi would bear the brunt of the worst natural disaster in American history . . . with utter devastation on the Coast, incredible damage across much of South Mississippi, hurricane force winds north of

West Point . . . a huge calamity in which nearly one-fourth of all the homes in our entire state were damaged by the hurricane.

Yet, even with Katrina, I can tell you tonight, the State of our State is very good. Our economy is thriving; more people are working . . . indeed the number of people employed has increased more than 30,000 in these three years; incomes are up considerably, to record levels. State finances have improved tremendously. State support for education and our other priorities is up substantially compared to three years ago, and will increase again.

While there remains a good deal of uncertainty about our financial picture, it is vastly better than in 2004.

There are many reasons the State of our State is extremely good; the first and most important is the spirit and character of our people. The strong, resilient, self-reliant people of South Mississippi and the Coast have endured, indeed some are still enduring terrible hardships. They bore the worst of Katrina; many still are living in conditions that amount to deprivation . . . but they persevere, they've recovered and they are into rebuilding, on the way to renewal.

Nothing is as critical to the excellent State of our State as the courage and selflessness of those people.

One significant sign of our recovery is education. I want to single out Hank Bounds and the State Department of Education, who got our schools back open in a few weeks. It is a great credit to the local superintendents, principals, teachers and staff that every public school in Mississippi was back open before any public school in New Orleans was back open.

And when the battered schools reopened, students immediately went back to work, like the Coast itself went back to work. And the results make a powerful statement.

Four schools in Mississippi were recognized as top performers nationally for the 2005-2006 school year. They were nominated as National Blue Ribbon Winners in the year of the hurricane . . . The farthest north was Petal High, near Hattiesburg. The other three were all on the Coast! Long Beach High, Biloxi High and Bayou View Elementary in Gulfport.

There is a real lesson to be learned from those administrators, teachers, students and parents.

We also should recognize and thank our two Senators . . . Thad Cochran and Trent Lott . . . and our entire Congressional delegation. They were enormously effective in getting us federal help, unprecedented amounts of money and unprecedented latitude in setting our own priorities in using that federal money.

More than \$24 billion of federal grant money has already been allocated in Mississippi; plus another \$3 billion in loans.

FEMA has provided \$9.4 billion in assistance to individuals and local governments, including the removal and disposal of 45 million cubic yards of debris, and in record time; provision of temporary housing for more than 38,000 families, about three-fourths of whom are still in temporary housing; and the rebuilding of public infrastructure has begun.

Thanks primarily to Senator Cochran, we have been allocated nearly \$5.5 billion in Community Development Block Grant money; the Bush Administration has allowed us great discretion in how to use it. I especially appreciate HUD Secretary Jackson, who has not tried to substitute Washington's judgment for the judgment of Mississippians about how to rebuild and renew our state.

Since I spoke to you last year, we have earmarked more than \$3 billion for housing for people outside the flood zone, for low and moderate income homeowners and for public housing and other affordable rental housing. As of today, we have sent grant checks to nearly 10,000 Mississippi families through a program the State of Mississippi designed . . . a program that has never been attempted anywhere before. These grants will help tens of thousands of Mississippians rebuild their homes and their lives.

Some \$630 million is going to build water and sewer in growth areas in five of the lower six counties, so families and businesses can rebuild in safer, more affordable places and in an environmentally sensitive way.

Nearly \$450 million is dedicated to ratepayer mitigation . . . to prevent dramatic increases in electricity rates and property insurance for homeowners and for businesses. I have requested from Secretary Jackson approval for us to use \$30 million of this money to reduce the increase in commercial property insurance by the Mississippi Windpool Association . . . to cut a huge proposed premium increase in half. I expect this request to be approved soon.

One-half billion of this money will go to economic development in the entire forty-nine county Go Zone area. Of this, \$150 million will go to community revitalization projects in the coastal communities plus another \$15 million for planning, permitting and inspecting.

Separate and above this CDBG money, MDOT has received \$1.1 billion in federal funds to repair and rebuild state and federal highways and bridges, including the Biloxi Bay and Bay of St. Louis bridges.

The State Department of Education received \$330 million to reopen and help operate our K-12 schools, and Mississippi higher education received \$95 million to help our universities and community colleges.

All these were grants of federal money, as was \$58 million to support state and local law enforcement, \$128 million for social services grants, \$74 million from the Labor Department for temporary employment and job training. The Department of Mental Health received \$25 million in the wake of the storm, while USDA gave Mississippians an extra \$134 million in food stamps as emergency assistance.

Our health care providers have received \$73 million as reimbursement for care they provided free to disaster victims; the University of Mississippi Medical Center received \$20 million to help pay for such uncompensated care.

Important from the state budget point-of-view, the State has received some \$517 million as part of an emergency health care package led by Senator Lott and Congressman Pickering. We've used this money to help support Medicaid and to pay our share of disaster assistance.

Shipbuilders in Mississippi have received nearly \$2 billion for emergency measures and repairs because of the storm, and the federal government has appropriated

more than a billion dollars for rebuilding military and veteran's facilities in the state.

It is a mind boggling array of numbers, like nothing ever seen before, and it doesn't even include our request for \$7.5 to \$10 billion for environmental restoration and hurricane hazard mitigation on the Coast.

The Legislature has played an important role. You and I have worked together to not only set aside money to pay the state's share of the rebuilding costs, but to provide direct cash aid to struggling coastal governments; cut taxes on modular homes; and provided interest-free loans to small businesses. These are but a few of the many steps this Legislature has taken.

In this session, I ask you to act to stabilize the state's insurance market with respect to the state-sponsored wind pool. While this issue is felt most on the Coast, it is a statewide issue. In fact, it is a national issue. The commercial insurance rates in Florida's wind pool have increased 1100%! There are steps this Legislature can take to strengthen the wind pool.

I'm grateful to President Bush and Congress for trusting us with these funds, and we will be good stewards of the taxpayer's money.

Of course, there is a whole lot more to the State of our State than Katrina and our recovery. It remains my most urgent priority, but other parts of the State are making contributions to our strong position today.

Northwest Mississippi and the Memphis suburbs continue to thrive. Jobs are up; incomes are up; schools are great.

In the Northeast, from SeverCorr in the Golden Triangle and American Eurocopter; to a furniture industry that proves stronger than some people thought, but one we still need to work with everyday; more good things are happening in North Mississippi than most people realize.

As a Delta boy, I believe my home area can do better, and I look forward to seeing the report of the task force on the Delta chaired by your former colleague Robert Clark.

Metro Jackson and Vicksburg are booming. Anybody that wants a job has one, and there is a major construction boom.

East Mississippi is healthy, but I believe there are more opportunities, and we are focused on them. The announcement of the Mississippi Power \$1.3 billion coal gasification plant in Kemper County and continued strong performance on I-20 and Neshoba County show the Meridian area is moving forward.

Katrina-driven growth affects all South Mississippi. There is a labor shortage on the Coast and in some counties farther north. Hattiesburg and Laurel were growing before the storm, and the reconstruction plus the building of a more than \$1 billion Strategic Petroleum Reserve facility near Richton will fuel more job growth.

I confess to being concerned about job creation in Southwest Mississippi. We continue to work with local officials in Natchez and nearby areas, and we won't stop until we get the job done.

One reason so many of the areas are thriving is what has been accomplished by this Legislature and the State in the last three years.

You passed what is nationally recognized as the most comprehensive tort reform law in the country, and it is working. Liability premiums are down, and doctors have quit leaving the State. The health care crisis caused by lawsuit abuse is over.

We have doubled funding for workforce development and job training at our community colleges, and we organized the new Department of Employment Security. Through the Momentum Mississippi legislation, we modernized our economic incentives, and that's working. While Mississippi had a net loss of more than 38,000 jobs during the previous administration, we've turned that around. Despite Katrina, the number of Mississippians working has gone up more than 30,000 in the last three years, and I'm confident we will have record employment this year.

Not only are more people working, they are making more money. Incomes in Mississippi increased more than 10% the first two years; and both job creation and personal income have been going up at a faster rate this last year.

More taxpayers and more taxable income mean more revenue for the state treasury, and General Fund revenue will have gone up about one-third in our four years... without raising anybody's taxes. Plus, we have gotten control of state spending. In 2003, I said... and believed... the state didn't have a \$720 million budget hole because we taxed too little, it was because we spent too much.

Well, I pleased to say that in the last fiscal year, state spending went up only 1%. . . . just 1%. That's one reason our budget hole became a surplus last year.

It is important for everybody to understand: We didn't get control of spending by short changing our priorities.

Indeed, education, our highest priority, has been funded at record levels. Since this legislature first met three years ago, . . .state appropriations for K-12 education have increased 19%. The State is spending \$323 million more on K-12 education this year than it spent just three years ago. And if you adopt my budget, K-12 will receive an increase of more than \$480 million during this administration. This will be the largest four year increase in K-12 spending under any governor in state history.

Our school teachers have received two consecutive eight percent pay raises, and now teachers make an average of some \$42,000 a year. And everyone seems to agree, teachers pay will go up another three percent next year . . . We spend more than \$4 billion dollars a year . . . federal, state and local . . . to educate our almost 500,000 K-12 students. . . about \$8,000 per student.

Unlike in the last administration we have not cut spending on higher education to fund K-12. With my budget, state spending for our universities will increase 28% these four years, after being cut 7% the preceding four. And funding for our community colleges also will go up 28%, plus we have doubled state spending on workforce development.

Education is the number one economic development issue in Mississippi and in every other state; and it is our number one quality of life issue, too. That is why it is our top priority and why it receives 62% of the budget.

And, because the State Department of Education has determined it will require a substantially smaller increase than previously estimated. . . I am confident that in March, you will send me and I will sign an appropriation that fully funds the MAEP formula for next year. I expect that formula to be funded consistently at 100% in the years to come.

And, importantly, the reduction in the MAEP funding formula means it will be easier to fund other key K-12 programs, such as a three per cent teacher pay raise and the implementation of Superintendent Bounds' drop out prevention and high school redesign program, which the Legislature authorized in passing the Upgrade Education reform package last year.

Our record funding of education is important, but the true test of our commitment to education is not how much we spend; it is the results we demand and achieve for our students. The taxpayers rightly expect us to get their money's worth for what we spend.

Reforms you passed last year will help, such as giving local leaders more control over their schools. This year, I ask you to expand the UpGrade reforms by approving and funding an early childhood education initiative that builds on the network of private child care and Head Start centers which already exist and that 80% of our four year old kids already attend.

Another priority we have focused on is law enforcement. Our Highway Patrol and other state law enforcement have received the biggest pay raises in history to get them on a level with our neighboring states. Two trooper schools in one year. . . one paid for with federal funds after Katrina . . . have added ninety-two new highway patrolmen to the force. We plan a third trooper school in the next fiscal year to get us back closer to the authorized number of troopers.

The Bureau of Narcotics continues to excel, and legislation you passed two years ago has greatly reduced the number of crystal methamphetamine labs in the state. Drugs continue to be a major problem, and most crime is drug-related, but you are doing things to combat it.

This year I ask you to do three more things: To pass laws that lengthen the mandatory prison sentence for committing a felony with a gun, and to lengthen the prison sentence for a felon possessing a gun. These changes will give prosecutors better tools to punish criminals who use guns to commit crimes, and they will not violate the constitutional rights of law-abiding citizens to keep and bear arms.

I also ask you to increase the number of narcotics agents by fifty or nearly half.

While most policing is done at the local level by police and sheriffs' departments, we need to give them all the support we can to protect our citizens and families.

With its reduced price tag, we can afford to fully fund MAEP and support our teachers. We can give state employees another pay raise. We can give increases to higher education and law enforcement. However, we can't do everything everybody wants to do. We can have strong, stable funding for our priorities, but only if we are prudent about spending overall.

Any election year brings pressure for spending, but for two unusual reasons, this year particularly requires constraint in appropriating state taxpayer's money.

The first reason is that, for the first time in memory, the Legislature has convened without a budget recommendation from the Legislative Budget Committee. Except for my budget, there is no budget outline for you to use. . . to have as a guideline to judge the total amount you'll have to appropriate and to balance available funds according to what you consider priorities.

The second reason you need to be especially cautious in appropriating the taxpayers' money is the uncertainty about the State's financial picture after Katrina. This is especially true in the area of revenue.

State Revenue is up a third or more since I became governor. Part of that is because our economic picture has improved so much...with more people working and making higher incomes. More tax revenue without raising anybody's taxes.

But we also know part of this surge in state tax revenue is one-time money... the result of large sales tax increases caused by Katrina victims replacing cars and trucks lost in the storm... refrigerators, air conditioners and other durable goods. Just look at a county-by-county map of where sales tax receipts have skyrocketed. These purchases won't occur every year, and that sales tax revenue is not recurring revenue to the State. So we mustn't spend it on recurring expenditures. That would put us back in the same budget hole we were in when I was elected. We've dug out of the hole; and we have to stay out of it.

The most important things for our State's financial well-being are for us to abide by the law that says only 98% of General Fund revenue can be appropriated and that the 2% set aside goes into the Rainy Day Fund until it is built up to the amount set by law.

I urge you not to spend more than that 98%, abide by the 2% set aside and do not dip into or divert any money from the Rainy Day Fund.

You won't be able to spend as much as might be popular. . . or as will be requested; but in these times of financial uncertainty, and especially since you have no budget blueprint to gauge by . . . following the 2% set aside and protecting the Rainy Day Fund are more critical than ever. . .

As you know, this is the Martin Luther King, Jr., Holiday. So it is the most appropriate of days to talk to you about my last subject.

As most of you know, last year I appointed a Commission to Establish a National Civil Rights Museum in Mississippi. For several months Commission members have worked with a legislative committee on the same subject.

Tonight, I want to recognize the leaders of the Civil Rights Museum Commission, who are with us in the Chamber. Justice Reuben Anderson and Judge Charles Pickering, co-chairs of the overall Commission; Dr. John Peeples and Governor William Winter, who co-chair the committee on presentation; Secretary Mike Espy, who co-chairs the committee on location with Ms. Lisa Percy, who can't be with us tonight; and Ambassador John Palmer and Mr. Leroy Walker, finance co-chairs.

Working with the Department of Archives and History, the Commission has engaged museum consultants to help plan the project. I especially salute Mr. Walker and Ambassador Palmer, and am proud to announce they have raised \$500,000 in private funds from Mississippi foundations, to fund the initial work. I have included

a \$500,000 request in my budget for the Department of Archives and History to help with planning and design work.

I consider it very important for the private sector to help pay for this museum. The private sector...corporations and foundations, philanthropists and school children... want to get in on this. It is overdue, and it needs doing; many, many people want to get to be part of making it happen.

The State should and will have a role in supporting this museum. That is very important, and I'm grateful the legislative committee has recommended the authorization of \$50 million in bonds for the project. I hope private support from around the country will mean the State won't have to put in that much, but we need to make it clear to all that we stand ready to do what it takes to make sure the National Civil Rights Museum in Mississippi . . . does justice to this subject. Thank all of you for serving.

Thinking back on our past should help us be more committed to our future. And, while we still have a year or two of uncertainty as the Katrina recovery continues, there is no doubt in my mind that Mississippi's future is brighter than it has been in our history.

I know that is a mighty bold statement, but I believe it. And as strange as it might seem, that awful catastrophe Katrina is part of the reason.

Last year Michael Chertoff, the Secretary of Homeland Security, and I were talking about the courage and selflessness shown by Mississippians after Katrina.

Chertoff is a New Yorker...Well, he's really from northern New Jersey, but it's all the same to me...

Anyway, Chertoff said, "Haley, everybody has an opinion of New York and New Yorkers. Wherever you're from, folks have their views about New York and New Yorkers, good or bad but rarely indifferent.

"But you know what; nobody's opinion of New York and New Yorkers is the same today as it was before September 11. . ."

Isn't that true? Whatever you thought before, September 11 affected your opinion of New York and New Yorkers indelibly...forever.

"Well," Chertoff said, "the same is true for Mississippi." And isn't he right? Katrina and those brave, strong, resilient, self-reliant Mississippians who got up, hitched up their britches and went to work, helping themselves and their neighbors... who didn't look for somebody to blame... who are not into victimhood... the country and the world saw them, and liked what they saw.

People who had a negative opinion of us decided to give us another look. Companies that never considered us before are talking about putting facilities and jobs in Mississippi.

When they saw our people's response to Katrina, they said, "These are the kind of people we'd like to have work for our company...for their kids to go to school with our kids...families go to church with our families." . . .

People around the country and the world saw us for what we really are.



Growing up in Yazoo City, my mama taught us that crisis and catastrophe don't create character, . . . but disaster reveals character.

Katrina revealed to the world and to ourselves the character and spirit of Mississippians. That revelation creates unprecedented opportunity for us and our state... opportunity for job creation and economic prosperity... for a better quality of life for our people . . .for greater, more widely spread equity that at any other time in our history.

Our children and grandchildren can, indeed will, have far more opportunity than my generation ever dreamed of . . .if we seize this moment. Now is the time to raise our expectations for Mississippi and to lift our horizons for our communities, not just for the Coast or South Mississippi, but for all of Mississippi.

I ask you to join me in working together to see that we seize this moment and grasp the opportunity we have been provided. Thank you. God bless you all.